

EXHIBIT M

EXHIBIT A

[Filed Under Seal]

**UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION**

**ST. CLAIR COUNTY EMPLOYEES'
RETIREMENT SYSTEM, Individually and
on Behalf of All Others Similarly Situated,**

Plaintiff,

VS.

Civil Action No. 3:18-cv-00988

**ACADIA HEALTHCARE COMPANY, INC.,
et al.,**

Defendants.

**REBUTTAL REPORT OF
W. SCOTT DALRYMPLE, CFA
APRIL 1, 2022**

TABLE OF CONTENTS

	<u>Page</u>
I. Introduction and Summary of Opinions.....	1
II. Overview of the Allen Report	2
III. Analysis of the Allen Report.....	3
A. Ms. Allen ignores evidence that the alleged misrepresentations concealed information important to investors.....	3
1) Ms. Allen’s analysis of the price reaction to the alleged misrepresentations does not demonstrate a lack of price impact.....	4
2) Ms. Allen ignores evidence that the information allegedly misrepresented was important to market participants’ assessment of Acadia’s value.....	5
B. Ms. Allen’s analysis of the corrective disclosures is incomplete and fails to demonstrate that the alleged misrepresentations did not affect Acadia’s stock price	8
1) Ms. Allen fails to prove that the October 11, 2018 <i>Aurelius Value</i> report had no price impact.....	8
2) Ms. Allen fails to prove that the November 16, 2018 <i>Seeking Alpha</i> article had no price impact.....	13
3) Ms. Allen’s analysis of price impact fails to address the link between the alleged corrective disclosures and changes in expectations related to a possible acquisition of Acadia.....	15
C. Ms. Allen’s review of “numerous similar news stories regarding the quality of care at Acadia’s U.S. facilities” does not support a lack of price impact	18
D. Ms. Allen’s finding that “Acadia warned and analysts noted, before and during the alleged Class Period” that incidents could lead to negative publicity is irrelevant.....	20
IV. Measurement of Class-wide Damages	20
V. Further Work	21



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Re: St. Clair County Employees' Retirement System, Individually and on Behalf of All Others Similarly Situated ("Plaintiff") v. Acadia Healthcare Company, Inc. ("Acadia"), et al. (collectively, "Defendants")

I. Introduction and Summary of Opinions

1. I have been retained on behalf of Plaintiffs in the above-styled case. On May 3, 2021, I issued an expert report in this matter ("Dalrymple Report") in which I set forth my opinions that shares of Acadia traded during the Class Period in a semi-strong-form efficient market and that damages may be computed on a class-wide basis for every member of the proposed class using a common technique that is grounded in Plaintiffs' theory of liability.¹

2. Since issuing the Dalrymple Report, I have been asked to review and analyze the opinions of Lucy Allen provided in her expert report dated February 28, 2022 ("Allen Report"). I also have been asked to respond to Defendants' assertions regarding the measurement of class-wide damages as set forth in Defendants' Opposition to Plaintiffs' Motion for Class Certification ("Defendants' Opposition"). In the Allen Report, Ms. Allen opines that the misrepresentations regarding Acadia's quality of care, staffing, and regulatory compliance had no impact on Acadia's stock price and that stock price declines following the corrective disclosures are not indicative of the alleged misrepresentations' stock price impact.²

3. As I explain in this report, it is my opinion that Ms. Allen fails to show a lack of price impact and, in addition, ignores evidence that the alleged misrepresentations affected Acadia's stock price during the Class Period.³ Specifically:

- a. Ms. Allen ignores evidence that the alleged misrepresentations concealed information important to investors;
- b. Ms. Allen's analysis of the corrective disclosures is incomplete and fails to demonstrate that the alleged misrepresentations did not affect Acadia's stock price;
- c. Ms. Allen's review of what she purports to be similar news stories regarding the quality of care at Acadia's facilities does not support a lack of price impact; and
- d. Ms. Allen's finding that Acadia warned of incidents that could lead to negative publicity and media coverage before and during the alleged Class Period is irrelevant.

¹ Defined terms in this report have the same meanings as used in the Dalrymple Report unless otherwise noted.

² Allen Report, ¶¶ 2-6.

³ References herein to "misstatement(s)" and "misrepresentation(s)" refer to the fraud and fraudulent scheme alleged by Plaintiffs, which includes misrepresentations, omissions, and a course of conduct that operated as a fraud or deceit on purchases of Acadia shares during the Class Period.

4. My credentials and qualifications are set forth in the Dalrymple Report.⁴ An updated version of my curriculum vitae is attached as **Supplemental Appendix A**. A list of additional materials I have considered in my work for this matter as of the date of this report is contained in **Supplemental Appendix B**, as well as in the citations in the footnotes to the text presented in this report.⁵

5. I will review, evaluate, and analyze additional data, facts, or information as they become available. I reserve the right to amend or supplement my opinions based upon further information learned, produced, or provided to me. The analyses and opinions described herein may, therefore, change based upon additional information that becomes available or other developments that occur.

II. Overview of the Allen Report

6. Ms. Allen does not dispute my finding that shares of Acadia traded in a semi-strong form efficient market during the Class Period, nor does she challenge my analysis of the *Cammer* Factors and other factors that I present in support of my opinions. Ms. Allen also does not disagree with my opinion that damages in this matter may be computed on a class-wide basis.

7. Ms. Allen's opinions relate to what she describes as the "price impact of the allegedly false and misleading statements and/or omissions related to Acadia's U.S. operations."⁶ She characterizes Plaintiffs' claims as: "Acadia made alleged misrepresentations regarding the 'quality,' 'staffing,' and 'compliance' at Acadia's U.S. facilities and that those statements impacted Acadia's stock price and caused the price to be artificially inflated."⁷ Ms. Allen opines that there is "no price impact from the alleged misrepresentations related to Acadia's U.S. operations because there is no link between Acadia's stock price movements and the alleged misrepresentations or the correction of the alleged misrepresentations."⁸ Ms. Allen concludes:

- a. the release of the *Aurelius Value* report did not impact Acadia's stock price because it was not followed by a statistically significant share price reaction.⁹
- b. the release of the *Seeking Alpha* article did not impact Acadia's stock price because the price decline on November 16, 2018 was not due to information disclosed in the *Seeking Alpha* article, but was instead due to negative news about the potential sale of Acadia, which Ms. Allen claims was "unrelated to the alleged fraud."¹⁰

⁴ Since issuing the Dalrymple Report, the rate at which the BVA Group is compensated for my work has changed to an hourly rate of \$720 and BVA Group is being compensated for time incurred by other professionals who have supported my analysis in this matter at rates of \$250 to \$615 per hour.

⁵ Use of the first person "I" in my report refers either to me or to those working under my direct supervision.

⁶ Allen Report, ¶ 1.

⁷ Allen Report, ¶ 2.

⁸ Allen Report, ¶ 3.

⁹ Allen Report, ¶ 4.

¹⁰ Allen Report, ¶ 5.

8. In addition, Ms. Allen claims that information that was “corrective” of the alleged misrepresentations was released on a number of occasions during the Class Period and that there was no market reaction following any of these announcements.¹¹ According to Ms. Allen, this demonstrates that the alleged misrepresentations did not have price impact. Ms. Allen also contends that a lack of price impact is not surprising because Acadia warned, and analysts noted, that incidents in Acadia’s psychiatric hospitals could lead to negative publicity and media coverage.¹²

III. Analysis of the Allen Report

9. As discussed in the Dalrymple Report, the Court has summarized Plaintiffs’ allegations in this matter as follows:

Plaintiffs allege that Defendants falsely represented that Acadia provided high-quality services, adequately staffed its facilities, and complied with applicable laws and regulations. It was quality care, Defendants repeatedly emphasized, that drove new patients to Acadia facilities, created the demand necessary to grow its existing facilities, and was key to improving the performance and operations at the facilities Acadia acquired to fuel its growth. In reality, Acadia achieved growth by inadequately staffing facilities and cutting costs to extract higher profits at the expense of patient care and safety, and ran facilities rife with violence, sexual assault, and counter-therapeutic policies and practices.¹³

10. I understand the provision of high-quality services, adequate staffing, and compliance with laws and regulations were essential elements of Acadia’s business model and, thus, its value proposition to shareholders.¹⁴ Ms. Allen fails to consider the evidence that the alleged misrepresentations and concealed information concerned topics that were important to investors. In concluding that the alleged corrective disclosures do not demonstrate price impact, Ms. Allen ignores evidence of price impact and critical links between the allegedly concealed information and the value of Acadia’s stock.

A. Ms. Allen ignores evidence that the alleged misrepresentations concealed information important to investors

11. The value of a stock is based on investors’ expectations of future economic benefits, discounted to the present to reflect the time value of money and risk (*i.e.*, uncertainty) associated with those benefits.¹⁵ Ms. Allen acknowledged this in her deposition testimony:

¹¹ Allen Report, ¶ 6.

¹² Allen Report, ¶ 54.

¹³ Memorandum dated January 20, 2021, p. 2.

¹⁴ See, e.g., Acadia Healthcare Company, Inc. Form 10-K for the fiscal year ended December 31, 2017, p. 1

¹⁵ Shannon P. Pratt, *Valuing a Business: The Analysis and Appraisal of Closely Held Companies*, (5th ed. 2008), pp. 175-176.

Q. Do you agree that the value of a security or a stock is generally equal to the present value of all future expected economic benefits adjusted for risk [and] the time value of money?

A. So I would say that in an efficient market, the value of stock is the present discounted value of all expected future cash flows.¹⁶

12. Ms. Allen further acknowledged that “understaffing and regulatory issues can affect current and potential future cash flows,”¹⁷ and that regulatory compliance is a risk for Acadia.¹⁸ Therefore, according to Ms. Allen’s own testimony, the concealment of regulatory and compliance problems at Acadia would have an impact on the company’s share price.

1) Ms. Allen’s analysis of the price reaction to the alleged misrepresentations does not demonstrate a lack of price impact

13. As Ms. Allen acknowledges, “[i]t is [her] understanding that Plaintiffs are claiming that the alleged misrepresentations either ‘maintained’ the alleged inflation in the stock price or were misleading by omission,” such that “according to Plaintiffs’ theory a statistically significant price increase would not be expected at the time the alleged misrepresentations were made.”¹⁹ When asked in deposition whether this analysis is relevant to Plaintiffs’ allegations, Ms. Allen admitted that it is not.²⁰ Regardless, Ms. Allen tests the price reactions following alleged misrepresentations on 47 separate trading days, finding that Acadia’s share price rose on only eight of these days for reasons that Ms. Allen asserts “was due to positive news unrelated to the alleged misrepresentations.”²¹

14. Ms. Allen attempts to rationalize her findings as consistent with the nature of the alleged misstatements, claiming that the alleged misrepresentations were “generic in nature.”²² She does not explain, however, why such a characterization is relevant to her analysis.²³ If by “generic” Ms. Allen means that she would expect other companies offering similar services to make similar statements, then this suggests only that the alleged misstatements were important to the risk profile of a company operating in

¹⁶ Deposition of Lucy Allen dated March 11, 2022 (“Allen Deposition”) at 34:16-22.

¹⁷ Allen Deposition at 35:10-20.

¹⁸ Allen Deposition at 44:17-45:1.

¹⁹ Allen Report, ¶ 20.

²⁰ Q. Is it your opinion that a statistically significant price increase would not be expected at the time of the alleged misrepresentations in this case?

A. It’s my understanding that plaintiffs are claiming the misrepresentations maintained alleged inflation or they were misleading by omission. So it’s my understanding that what plaintiffs are alleging is that the statements themselves when made wouldn’t be absent other information being made at the same time, wouldn’t be expected to raise the stock price.

Allen Deposition at 28:25-29:11 (objection omitted).

²¹ Allen Report, ¶ 20, n.18.

²² Allen Report, ¶ 20.

²³ Ms. Allen also contends that “Plaintiffs appear to be mischaracterizing what Acadia said in a number of the alleged misrepresentations,” citing to what she purports to be inconsistencies between the Complaint and the statements Acadia made (Allen Report, footnote 19 and Appendix C). But Ms. Allen’s reading of Plaintiffs’ allegations does not support her opinion that the alleged misstatements, which I understand the Court has upheld, did not impact Acadia’s share price.

the same space as Acadia. In other words, investors would have expected Acadia to adhere to standards of quality patient care that were standard across the industry in order to manage risk and meet regulatory compliance standards.

15. I agree with Ms. Allen that Plaintiffs' theory does not suggest that significant price increases would have been expected at the time of the misrepresentations. Thus, the price reaction following the alleged misrepresentations is not dispositive as to whether the alleged misrepresentations impacted Acadia's share price during the Class Period. Neither Ms. Allen's presentation of these findings nor her characterizations of the alleged misstatements support her opinions.

2) Ms. Allen ignores evidence that the information allegedly misrepresented was important to market participants' assessment of Acadia's value

16. In her report, Ms. Allen reviews analyst commentary on Acadia, and comes to the conclusion that "[n]one of the analysts covering Acadia made any comment that is consistent with Plaintiffs' theory that the revelation of these types of 'quality,' 'staffing' and 'compliance' issues at Acadia's facilities were corrective of the alleged fraud."²⁴ Again, Ms. Allen's standard of review is misplaced—for information to have price impact, analysts do not need to have understood information to be "corrective of the alleged fraud" at the time it was revealed. Rather, the question is whether the allegedly concealed information was relevant to Acadia's value.

17. In any case, Ms. Allen's conclusion that analysts were unconcerned about revelations of quality, staffing, and compliance issues is inconsistent with the evidence that I have reviewed, which instead indicates that analysts did consider these issues relevant to Acadia's value. Ms. Allen ignores statements by covering analysts in reports throughout the Class Period, which indicate that issues of adequate staffing, regulatory compliance, and quality of care were important factors in determining the value of the company. For example:

- a. Throughout the Class Period, Craig-Hallum included statements in its reports that underscored the importance of adequate staffing and quality care to firm value: "Like most healthcare services companies that derive a large amount of revenues from the government, there is a high level of operational scrutiny. It is important for the management of Acadia to adequately staff their facilities, bill for patient services correctly, maintain good recordkeeping, and operate their facilities for the benefit of their patients."²⁵

²⁴ Allen Report, ¶ 51.

²⁵ Craig-Hallum, "3Q18 Earnings Miss And Lowered FY18 Guidance Largely Due To Continued Labor Issues And Lower Census In The U.K. Maintaining HOLD Rating And \$34 Price Target," November 6, 2018, p. 3 (emphasis added). See also, e.g., Craig-Hallum, "Revenue And EBITDA Beat With Robust Organic Growth. Reiterate Buy Rating And \$55 Price Target," April 30, 2014,

- b. Reports from Bank of America emphasized risks from quality of care issues: “Risks to our [price objective] are government reimbursement pressures driven by state (Medicaid) or federal (Medicare) budgetary issues, as well as potential quality of care issues.”²⁶
- c. Reports from J.P. Morgan emphasized risks associated with regulatory scrutiny: “Downside risks to our price target include 1) valuation currently above historical averages, 2) overall pace of acquisition activity, 3) Priory & CRC integration risks given sizes of deals, 4) behavioral care is highly scrutinized by media and regulators, 5) increased government revenue concentration, and 6) relatively higher leverage and below-average earnings quality.”²⁷
- d. Wells Fargo also recognized reputational risks involved in the behavioral health business: “Risks include occupancy rates, same facility growth, labor costs, acquisition integration, government regulation, managed care, local market competition, and interest rates. In addition, ACHC has risk from its highly levered balance sheet, its U.K. business could worsen, and the behavioral business carries reputational risk from media and others.”²⁸
- e. Jefferies addressed business practices, including understaffing, that may form the basis for a short thesis regarding Acadia’s stock: “Based on our conversations with investors, we believe the short thesis on ACHC is largely predicated on: ... 3) questions about business practices in the mental health industry as a whole, including understaffing and overbilling (particularly for lab tests). We would note, however, that negative press reports regarding quality of care have been focused on competitors rather than ACHC, and that ACHC does not operate its own lab facility.”²⁹

p. 4; Craig-Hallum, “Very Impressive 4Q14 With Conservative 2015 Guidance. Reiterating Buy Rating And Raising Price Target To \$75,” February 13, 2015, p. 4; Craig-Hallum, “Acadia Announces Another Accretive And Material Acquisition In The U.K. Our Revised Estimates Assume The Transaction Closes. Reiterating Our BUY Rating and \$100 Price Target,” January 5, 2016, P.5; Craig-Hallum, “Strong Occupancy Drives Margin Expansion. Reiterate BUY Rating And \$52 Price Target,” February 27, 2017, p. 5.

²⁶ Bank of America, “Strong US quarter can’t offset weak UK results,” November 6, 2018, p. 2 (emphasis added). See also, e.g., Bank of America, “Weak Qtr as preannounced, guide cut,” November 2, 2016, p. 2; Bank of America, “US solid, but UK not OK, cutting ests,” October 25, 2017, p. 3; Bank of America, “In line quarter with notably strong UK results, solid US,” July 31, 2018, p. 4.

²⁷ J.P. Morgan, “3Q18 Model & LBO Update,” November 6, 2018, p. 3. See also, e.g., J.P. Morgan, “Model Update,” November 4, 2015, p. 2; J.P. Morgan, “3Q16 Model Update; Lowering Estimates & Target,” November 2, 2016, p. 4; J.P. Morgan, “ACHC Model & Price Target Update,” July 31, 2017, p. 3.

²⁸ Wells Fargo, “ACHC: Q3 Earnings Take A European Vacation,” November 6, 2018, p. 10. See also, e.g., Wells Fargo, “ACHC: Resuming Coverage With Outperform Rating,” January 29, 2018, p. 3.

²⁹ Jefferies, “Short report: HC Svcs Short Interest Picked Up in Early Feb; Examining ACHC,” February 28, 2018, p. 1 (emphasis added).

18. These comments indicate that analysts were concerned about risks from underlying quality of care issues and their potential impact on levels of regulatory scrutiny and reputational harm, but that they were not aware of Acadia's ongoing systematic quality of care issues alleged in this matter.

19. Further evidence that investors were concerned about the value impact of Acadia's alleged misconduct is a [REDACTED]

[REDACTED]³⁰ This report [REDACTED]
[REDACTED]
[REDACTED]³¹

[REDACTED]²

[REDACTED]
[REDACTED]³³

20. Discussion of the possibility of understaffing at Acadia and its potential negative impact on the quality of patient care is evidence that these issues were important to investors and that Acadia's misrepresentations could result in an artificially inflated stock price. Indeed, [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]³⁴

21. There is also evidence of analysts commenting directly on the value-relevance of information released in the corrective disclosures following their release. For example, on November 19, 2018, just three days after the publication of the *Seeking Alpha* article, *Leerink* published a report in which they discussed the value-relevance of Acadia's understaffing problem:

30 [REDACTED]
31 [REDACTED]
32 [REDACTED]
33 [REDACTED] (emphasis added).
34 [REDACTED]

Reports of Subpar Staffing ratios in the US are valid per our channel checks with MEDACorp psychiatrists in the US. ACHC has been reported to have less than a 5:1 patient to staff ratio in its inpatient psychiatric hospitals, lower than not for profit or other larger competitors at more scale. This could drive staffing and wage pressures in the US over time, though the addition of 800 de novo beds and future continued capital deployment toward beds is likely to offer scale economies in existing facilities.³⁵

22. This evidence indicates that the information released in the October 11 and November 16, 2018 disclosures related to quality of care issues was considered to be value-relevant by analysts and other market participants during the Class Period. Any apparent lack of focus by analysts, on which Ms. Allen relies, does not demonstrate that these elements were unimportant to Acadia's value; rather, meeting regulatory and safety standards was a basic requirement for Acadia to operate, and market participants noted that meeting those standards was important to Acadia's value throughout the Class Period.

B. Ms. Allen's analysis of the corrective disclosures is incomplete and fails to demonstrate that the alleged misrepresentations did not affect Acadia's stock price

23. Ms. Allen concludes that the corrective disclosures did not have a price impact on Acadia's stock price, despite her own admissions in testimony that (i) "the value of a stock is the present discounted value of all expected future cash flows,"³⁶ (ii) "understaffing and regulatory issues can affect current and potential future cash flows,"³⁷ and (iii) regulatory compliance is a risk for Acadia.³⁸ In examining the corrective disclosures, however, Ms. Allen does not address this link and ignores evidence that the revelation of the connection between patient incidents and Acadia's regulatory and compliance issues caused investors to reassess their expectations regarding Acadia's value.

1) Ms. Allen fails to prove that the October 11, 2018 *Aurelius Value* report had no price impact

24. According to Ms. Allen, "there was no statistically significant reaction in Acadia's stock price on October 11, 2018 following the release of the *Aurelius Value* report."³⁹ Ms. Allen claims that this "affirmatively demonstrates that the alleged misrepresentations regarding Acadia's U.S. operations did not have price impact on Acadia's stock."⁴⁰

³⁵ Leerink, "Sell-Off Appears Overdone; Fundamentals Can Offer 10%+ Upside," November 19, 2018, p. 2 (emphasis added).

³⁶ Allen Deposition at 34:16-22.

³⁷ Allen Deposition at 35:10-20.

³⁸ Q: You would agree that regulatory compliance is a risk for Acadia, right?

A: I'm not sure what you mean by "a risk." I think that the – you know, the regulatory issues – it is a regulated industry. There are regulation issues. And I think – I believe it's mentioned as a risk factor in the company's, you know, SEC filings. It's disclosed as a risk factor. So in that sense, I certainly wouldn't disagree with that.

Allen Deposition at 44:17-45:1 (objection omitted).

³⁹ Allen Report, ¶ 29.

⁴⁰ Allen Report, ¶ 29.

25. Contrary to Ms. Allen's assertion, a non-statistically significant price reaction does not "affirmatively demonstrate" a lack of price impact. Statisticians recognize that "failing to reject the null hypothesis does not prove that [the null hypothesis] is true, it means we have failed to disprove [the null hypothesis]."⁴¹ This is why, in the context of event studies used in securities litigation, academics have warned against relying on a lack of statistically significant abnormal returns to conclude an absence of price impact.⁴² Although statistically significant abnormal returns may provide evidence to reject the null hypothesis that a misrepresentation did not have a share price impact, the converse is not true – the absence of statistically significant abnormal returns does not prove the null hypothesis to be true (*i.e.*, the failure to reject the null hypothesis using an event study does not prove that a misrepresentation did not affect the share price).⁴³

26. In the event studies that Ms. Allen examined, the null hypothesis being tested is that the information released that day did not elicit a reaction in Acadia's share price.⁴⁴ Thus, by reporting a statistically insignificant abnormal return on October 11, 2018, Ms. Allen has only presented a lack of evidence that the *Aurelius Value* report caused the stock price to react, not affirmative evidence that it did not. Ms. Allen acknowledged this in her deposition testimony:

Q. And does a finding of nonsignificant price movement prove the null hypothesis to be true?

A. In statistics, from a statistical conclusion is rarely proof – you know, statistics is generally about probabilities. And so the same – the same evidence that Mr. Dalrymple has – I guess the answer is no. In statistics, you pretty much never prove anything. You find evidence one direction or another.⁴⁵

27. Ms. Allen's narrow focus on the statistical significance of Acadia's price changes following the release of the *Aurelius Value* report conflates the concepts of a price reaction on a specific date and a price impact during the Class Period. From an economic perspective, a misrepresentation has price impact if it causes a stock price to move or maintains a stock price at a level different than what it would be absent the misrepresentation. Thus, a non-statistically-significant response to corrective information does not prove that the alleged misrepresentations and omissions did not affect Acadia's share price, especially during periods when continued misrepresentations were affecting the share price (as is alleged here). Despite acknowledging that Acadia's value is based on expected future cash flows that may have been affected by understaffing, regulatory, and compliance issues, Ms. Allen ignores this principle of fundamental

⁴¹ Statistical Techniques in Business and Economics Robert D. Mason, Douglas A. Lind and William G. Marchal 10th ed., Irwin McGraw-Hill, p. 307 (1999).

⁴² See, e.g., "Event Studies in Securities Litigation: Low Power, Confounding Effects, and Bias," Alon Brav and J.B. Heaton, Wash. U. L. Rev., p. 602 (2015).

⁴³ See, e.g., "The Logic and Limits of Event Studies in Securities Fraud Litigation," Jill E. Fisch, et al., 96 Texas L. Rev. 553, 613 (2018).

⁴⁴ Allen Report, ¶ 26.

⁴⁵ Allen Deposition at 65:4-13 (objection omitted).

valuation.⁴⁶ Thus, her assertion that the stock price reaction following the October 11, 2018 was not statistically significant proves nothing with respect to the *Aurelius Value* report's price impact.

28. Furthermore, Ms. Allen ignores that Acadia's stock experienced an abnormal return of negative 6.4 percent in the two-day period following the *Aurelius Value* report (October 11-12, 2018), which was statistically significant. Ignoring this statistically significant price reaction during the alleged two-day window,⁴⁷ Ms. Allen presents only one-day and four-day windows in her report, even though she testified that it is a "standard approach" to "continu[e] the event window until statistically significant movements cease or intervening news occurs."⁴⁸ Although Acadia's stock recovered on the following trading day (October 15, 2018) and then fell again the next day (October 16, 2018), this does not prove that the alleged misrepresentations and omissions did not impact Acadia's share price.⁴⁹ It also is consistent with the theory that the partially-corrective *Aurelius Value* report did not fully reveal the impact Acadia's compliance problems were having on its value, which Ms. Allen fails to consider.

29. Ms. Allen attempts to support her opinions by claiming that "[t]hirteen of the 15 (or 87%) analysts covering Acadia at the time did not even issue reports following the *Aurelius Value* report," which appears to be based on her count of analyst reports that were issued only on October 11, 2018.⁵⁰ It is not uncommon, however, for analysts to refrain from commenting immediately after the revelation of new information. The *Aurelius Value* report presented significant complex information, not all of which could be readily verified by market participants. As Cantor Fitzgerald noted, the assessment of the *Aurelius Value* report "could take time" for investors to digest because it was based on a "review of thousands of pages of public documents, including more than 600 state and federal inspection reports."⁵¹ Credit Suisse similarly noted "it takes time to assess allegations such as those raised in this report,"⁵² which Ms. Allen acknowledged in her deposition.⁵³ On this basis, it is unsurprising that the price impact of the *Aurelius*

⁴⁶ Allen Deposition at 35:10-20; 44:17-45.

⁴⁷ Consolidated Complaint for Violations of the Federal Securities Laws, dated April 1, 2019, ¶ 189.

⁴⁸ Allen Deposition at 77:16-78:7.

⁴⁹ Ms. Allen's conclusion rests, in part, on her observation that "Acadia's stock price bounced back in less than an hour to levels above the price before the *Aurelius Value* report was released" (Allen Report, ¶ 30), ignoring what happened through the remainder of the day and subsequent days. A conclusion drawn from a single hour of trading, however, is not evidence that the *Aurelius Value* report did not affect Acadia's share price. See *infra* ¶ 38 n.77.

⁵⁰ Allen Report, ¶ 33.

⁵¹ Cantor Fitzgerald, "Story Alleging Numerous Patient Issues Hits ACHC; Assessment of It Could Take Time," October 11, 2018, p. 1.

⁵² Credit Suisse, "Website Posting Pressures ACHC Shares," October 11, 2018, p. 1.

⁵³ Q. Did you ascertain whether any analysts covering Acadia following the release of the *Aurelius Value* report said it could take some time to digest the information in the report?

A. Yes. So the report itself was – the *Aurelius* report itself is a number of pages, and it included a video. It made it sound like there was a lot of work that had been done by – I forget – the anonymous person. And right at the release of this sort of dump of information, there were one or two -- of the many analysts that covered the company, there were one or two that issued reports that said – I think I may have quoted from one of them – that said, you know, there's a lot of stuff in here and it might take some time to digest.

Allen Deposition at 73:8-22.

Value report may not be directly observable from price reactions in the immediate aftermath of the report,⁵⁴ especially given the allegations of ongoing misrepresentations.⁵⁵

30. Ms. Allen also claims that the two analysts that issued reports “did not indicate that the report revealed anything new about Acadia’s quality of care in the U.S.”⁵⁶ While she highlights excerpts from these reports that, according to her, suggest the analysts were unconcerned by the *Aurelius Value* report, she ignores Credit Suisse’s observation that “Acadia shares fell on Thursday, October 11th, after a short report was published to the Aurelius Value website.”⁵⁷ Ms. Allen similarly does not address that a managing director at Mizuho Securities forwarded the *Aurelius Value* report to Acadia’s Brent Turner and Gretchen Hommrich on October 11, 2018 with the message, “[t]his is why your stock is down today.”⁵⁸ Ms. Allen improperly relies on evidence as to whether market observers *believed* that the *Aurelius Value* report *should* have impacted Acadia’s price while ignoring evidence that it *did* impact Acadia’s share price.

31. Although Ms. Allen concedes that “[a] week after the *Aurelius Value* report was released, several analysts referenced the *Aurelius Value* report in reports focused on earnings previews and/or rumors of a potential buyout,”⁵⁹ she relies on selective statements to infer that analysts were unconcerned about findings while ignoring evidence that this information affected investors’ expectations. As the analyst at Craig-Hallum noted, for instance, “recently published reports alleging abuse at ACHC facilities could heighten the regulatory environment and/or change referral behavior and negatively affect occupancy rates.”⁶⁰ The analyst at Stephens also concluded that there “likely [is] an overhang on the stock” and “[t]he larger concern is if the headline risk impacts operations from more regulator scrutiny.”⁶¹ Despite quoting these excerpts in her report, Ms. Allen does not explain how such statements support her finding that the *Aurelius Value* report had no price impact on Acadia’s stock.⁶²

⁵⁴ Materiality and Magnitude: Event Studies in the Courtroom,” David I. Tabak and Frederick C. Dunbar, in *Litigation Services Handbook, The Role of the Financial Expert*, 3rd ed., Roman L. Weil, Michael J. Wagner, and Peter B. Frank, eds. John Wiley & Sons, Inc., 2001, p. 194 (“In securities fraud cases, many experts have adopted the convention of looking at one-day, two-day, or five-day periods following an announcement.”); “Event Studies in Economics and Finance,” A. Craig McKinlay, *Journal of Economic Literature*, Vol. 35, pp.14-15, March 1997 (“It is customary to define the event window to be larger than the specific period of interest. This permits examination of periods surrounding the event. In practice, the period of interest is often expanded to multiple days, including at least the day of the announcement and the day after the announcement.”)

⁵⁵ In her report, Ms. Allen relies on a study by James M. Patell and Mark A. Wolfson for the proposition that prices typically react to news “within 5 to 10 minutes of the announcement,” but at her deposition she acknowledged that the Patell and Wolfson study was limited to earnings and dividend announcements and did not include the type of corrective disclosures alleged in this case (Allen Report, ¶ 31 n.40; Allen Deposition at 70:15-21). Ms. Allen’s misapplication of the academic literature leads her to the incorrect conclusion that a price reaction over a longer period would indicate a lack of market efficiency. Allen Deposition at 67:7-8 (“...if it’s not an efficient market, then it may be the case that things, you know, take multiple days”). A price reaction over multiple days is not indicative of market inefficiency (see e.g., *supra* n.54). Indeed, the authors of the study that Ms. Allen cites caution that “[i]t is possible that the adjustment intervals would be significantly longer for smaller firms, or for other, less regular announcements made by our sample firms.” James M. Patell & Mark A. Wolfson, “The Intraday Speed of Adjustment of Stock Prices to Earnings and Dividend Announcements,” *Journal of Financial Economics* 13 (1984), 223-252.

⁵⁶ Allen Report, ¶ 33.

⁵⁷ Credit Suisse, “Website Posting Pressures ACHC Shares,” October 11, 2018, p. 1.

⁵⁸ ACADIA00054914.

⁵⁹ Allen Report, ¶ 34.

⁶⁰ Craig Hallum, “Downgrading To HOLD Rating As Growth And Leverage Likely Cap Valuation. Lowering Estimates, Price Target Reduced To \$34,” October 17, 2018.

⁶¹ Stephens, “Hopeful For Less 3Q Drama This Year,” October 17, 2018, p. 23.

⁶² Allen Report, ¶ 34.

32. Ms. Allen also fails to address contemporaneous news articles, which attributed declines in the price of Acadia stock to the *Aurelius Value* report:

Bloomberg: "Acadia Healthcare falls ~5 percent after investment firm Aurelius Value alleges patient "neglect" in a new report due to understaffing at some of its facilities."⁶³

TheFlyOnTheWall.com: "Acadia Healthcare slides after Aurelius publishes short report. Aurelius Value said in a newly-published report that it is short Acadia Healthcare 'because the company has concealed widespread patient abuse and neglect that results from pervasive understaffing at its facilities.' Acadia's 'slash and burn approach to behavioral healthcare is inherently unsustainable and increasingly at risk of unraveling,' the research firm contends. In morning trading, Acadia shares are down about 6%."⁶⁴

Bloomberg: "Acadia Healthcare Co. shares fell as much as 8 percent after a short seller alleged 'widespread patient abuse and neglect' at the behavioral health services firm. Aurelius Value said in a tweet that it had taken a short position against Acadia. In a report Aurelius released Thursday, it alleged that persistent understaffing at the health company's facilities inflated profits but led to patterns of dangerous conditions for patients."⁶⁵

33. A Bloomberg article released on October 22, 2018 provides further evidence of price impact following the *Aurelius Value* report, which Ms. Allen ignores. In the Bloomberg article, Max Nisen noted "Acadia had its value dented just last week after a short-seller alleged that there has been 'widespread patient abuse and neglect' at the firm's facilities."⁶⁶ As the article noted:

As for Acadia, short-seller Aurelius Value alleges that there have been undisclosed incidents of sexual abuse and assault as well as possible patient deaths at the company's facilities that it says are the result of persistent under-staffing or negligence. It further alleges that this is a consequence of the firm's business model of acquiring facilities and cutting costs. (A spokeswoman for Acadia didn't respond to requests for comment last week when the report came out.)

If these allegations are even partially true, the company may be exposed to an investigation or legal liability. Fixing such issues would likely require substantial investment that would eat into the profitability of a business that is already operating with a significant debt load.

The demand for addiction and mental health treatment has been bolstered by the Affordable Care Act and likely feels safer now that repeal efforts have fizzled. Any investigation or ongoing controversy might hamper the ability to use Acadia as a platform for further deals to take advantage of that trend, which is probably a principal appeal for PE firms.⁶⁷

34. Ms. Allen relies on an incomplete examination of Acadia's share price reactions and analyst excerpts and, as a result, fails to demonstrate that the alleged misrepresentations did not have price impact

⁶³ Tatiana Darie and Anders Melin, "Acadia Health Falls After Aurelius Value Reveals Short View," *Bloomberg*, October 11, 2018.

⁶⁴ "Acadia Healthcare slides after Aurelius publishes short report," TheFlyOnTheWall.com, October 11, 2018.

⁶⁵ John Tozzi and Anders Melin, "Acadia Healthcare Falls After Short Seller Alleges Understaffing," *Bloomberg*, October 11, 2018.

⁶⁶ Max Nisen, "Why Are Buyout Firms Ready to Risk It on Acadia?" *Bloomberg*, October 22, 2018 at <https://www.wealthmanagement.com/property-types/why-are-buyout-firms-ready-risk-it-acadia-max-nisen>.

⁶⁷ Max Nisen, "Why Are Buyout Firms Ready to Risk It on Acadia?" *Bloomberg*, October 22, 2018 at <https://www.wealthmanagement.com/property-types/why-are-buyout-firms-ready-risk-it-acadia-max-nisen>. Emphasis added.

on Acadia's stock. Furthermore, Ms. Allen fails to consider the evidence that the *Aurelius Value* report did have price impact, discussed herein, which further undermines her opinions.

2) Ms. Allen fails to prove that the November 16, 2018 *Seeking Alpha* article had no price impact

35. Ms. Allen claims that, although the *Seeking Alpha* article was released before market open on November 16, 2018, Acadia's share price did not open significantly lower.⁶⁸ According to Ms. Allen, the "price decline on November 16, the date of the *Seeking Alpha* article, was *not* due to the information allegedly disclosed in the *Seeking Alpha* article but rather due to negative news about the potential sale of Acadia."⁶⁹ To support her opinion, she points to a CNBC report from November 16, 2018 where David Faber reported that the sale process had "stalled."⁷⁰ She then asserts, without evidence, that this negative news about the stalled private equity acquisition was "unrelated to the alleged fraud."⁷¹

36. As an initial matter, in the CNBC report referenced by Ms. Allen, Mr. Faber also discussed a "bear raid" on Acadia stock and "some nasty stuff going around on Acadia."⁷² Ms. Allen does not address the fact that Mr. Faber's report announced negative news on Acadia beyond the status of the sale process or what impact if any that information may have had on the share price reaction.⁷³

37. Ms. Allen relies on a truncated intraday analysis of Acadia's stock price, asserting that what she observes to be relatively subdued changes in the first 15 minutes of trading, before the CNBC report, proves that the information in the *Seeking Alpha* article did not affect Acadia's share price. While Ms. Allen acknowledges the possibility that investors may have needed time to digest the information when examining the *Aurelius Value* report, when examining the *Seeking Alpha* article, she draws her conclusion after considering only 15 minutes of trading.⁷⁴

38. Ms. Allen's basis for looking at such a short window after the disclosure appears to be grounded in a study of earnings and dividend announcements, not the type of disclosures that were in the *Seeking Alpha* article.⁷⁵ In addition to having been published nearly 40 years ago, the study's finding of a price reaction occurring within five to ten minutes of an earnings or dividend announcement is based on an

⁶⁸ Allen Report, ¶ 37.

⁶⁹ Allen Report, ¶ 5 (emphasis in original).

⁷⁰ Allen Report, ¶ 38.

⁷¹ Allen Report, ¶¶ 5; 36.

⁷² https://archive.org/details/CNBC_20181116_140000_Squawk_on_the_Street/start/2700/end/2760.

⁷³ When asked about the CNBC report, Ms. Allen testified that she understood that "the stalled sale" is "the only thing [Mr. Faber] is talking about during that period when you see that big drop in Acadia's stock price" (Allen Deposition at 90:9-24). A review of the CNBC report shows that Ms. Allen is incorrect.

⁷⁴ Allen Deposition at 73:8-22.

⁷⁵ Allen Report, ¶ 31 n.40. As noted above (*supra* n. 55), Ms. Allen relies on a Patell and Wolfson study of earnings and dividend announcements to support her assertion that "75 percent of the [price] reaction is within ... five to ten minutes of the announcement." Allen Deposition at 55:21-56:14 and 70:15-21.

average of a *large sample*.⁷⁶ Ms. Allen does not explain why this average would apply here, especially in light of the fact that the *Seeking Alpha* article was neither an earnings nor a dividend announcement.⁷⁷

39. Like the *Aurelius Value* report, the *Seeking Alpha* article revealed complex information that could take time to digest. It discussed seven facilities as “representative examples” of Acadia facilities facing allegations “consistent with declining quality of care” and also highlighted instances of alleged inadequate staffing at Acadia’s facilities, including Belmont Hospital in Pennsylvania, Park Royal Hospital in Florida, and Harbor Oaks Hospital in Michigan.⁷⁸ The *Seeking Alpha* article’s thesis that Acadia’s financial results were attained by reducing the quality of care was supported by an analysis of Acadia’s financial performance in light of information compiled related to allegations of abuse and regulatory noncompliance occurring over several years across many facilities, comments from current and former Acadia employees, and insider transactions.⁷⁹ The analysis of this information and its implications on Acadia’s business were potentially complex.⁸⁰ As the author of the *Aurelius Value* report noted:

Up until now, Acadia was able to conceal the extent of its problems because most investors hadn’t connected the dots between the vast number of disparate public documents and local news reports that repeatedly detail deaths and assaults at problematic Acadia facilities across the country.⁸¹

40. The *Seeking Alpha* article addressed issues such as inadequate staffing at Acadia facilities and declining quality of care, and linked them directly to operational decisions by management in the interest of cost cutting:

⁷⁶ James M. Patell & Mark A. Wolfson, “The Intraday Speed of Adjustment of Stock Prices to Earnings and Dividend Announcements,” *Journal of Financial Economics* 13 (1984), 223-252. (“[W]e compute aggregate cross-sectional statistics for large samples of earnings and dividend announcements.”).

⁷⁷ Ms. Allen fails to account for the possibility that Acadia’s share price would have continued to fall throughout the day (after the 15 minute window she examines) due to the complex and negative nature of the information. She ignores, for instance, financial market research on intraday momentum, in which price trends earlier in the day tend to intensify toward the end of a trading day. Indeed, research suggests that intraday momentum effects may be stronger on days of higher volatility or following large negative informational shocks. See, e.g., Lei Gao, et al., “Market Intraday Momentum,” *Journal of Financial Economics*, 129:2, 2018, 394-414; Zeming Li, et al., “Intraday Time Series Momentum: Global Evidence and Links to Market Characteristics,” *Journal of Financial Markets* 57, 2022; Ya Gao, et al., “Overnight Momentum, Informational Shocks, and Late Informed Trading in China,” *International Review of Financial Analysis* 66, 2019; Olena Onishchenko, et al., “Intraday time-series momentum and investor trading behavior,” *Journal of Behavioral and Experimental Finance* 31, Sept. 2021.

⁷⁸ “Acadia Healthcare: Very Scary Findings From A 14-Month Investigation,” *Seeking Alpha*, November 16, 2018.

⁷⁹ “Acadia Healthcare: Very Scary Findings From A 14-Month Investigation,” *Seeking Alpha*, November 16, 2018. Similarly, the *Aurelius Value* report was based on “thousands of pages of public documents” as well as “court records, media reports, lawsuits, and police records,” revealing “indications of understaffing or deficient care at over 75 Acadia facilities in 24 states.” “Acadia Healthcare: Destructive Greed,” *Marcus Aurelius Value*, October 11, 2018.

⁸⁰ This is consistent with analysis described by the CFA Institute: “Analysts are in the business of formulating opinions and insights that are not obvious to the general investing public about the attractiveness of particular securities. In the course of their work, analysts actively seek out corporate information not generally known to the market for the express purpose of analyzing that information, forming an opinion on its significance, and informing their clients, who can be expected to trade on the basis of the recommendation.” CFA Institute, Standards of Practice Guidance 2014, *Standard II(A) Material Nonpublic Information*.

⁸¹ “Acadia Healthcare: Destructive Greed,” *Marcus Aurelius Value*, October 11, 2018.

Yet cost-cutting has persisted. When a behavioral healthcare company stops growing its business, but revenue and profit margins continue to grow, that's a problem. This is only attained by reducing the quality of care.⁸²

41. Ms. Allen disregards the evidence that the issues addressed in the *Seeking Alpha* article, such as quality of care, staffing, and regulatory compliance, were important to investors, as evidenced by statements of covering analysts throughout the Class Period.⁸³ For example, reports by Craig-Hallum included statements that “[i]t is important for the management of Acadia to adequately staff their facilities, bill for patient services correctly, maintain good recordkeeping, and operate their facilities for the benefit of their patients.”⁸⁴

42. Ms. Allen's conclusion that the *Seeking Alpha* article had no price impact is based on little more than her examination of only 15 minutes of trading. At the same time, she ignores evidence of the link between the information contained in the *Seeking Alpha* article and elements of Acadia's business that were important to market participants. As a result, her findings are unsupportable and at odds with the evidence.

3) Ms. Allen's analysis of price impact fails to address the link between the alleged corrective disclosures and changes in expectations related to a possible acquisition of Acadia

43. When asked at deposition whether she had considered how the alleged corrective disclosures could have affected the views of the potential private equity acquirers of Acadia, Ms. Allen referred to unspecified analyst commentary that “some sort of issues could increase the interest in going private.”⁸⁵ Thus, Ms. Allen acknowledged evidence of the possible link between a private equity acquisition and the allegedly misrepresented information. But when asked whether she had reviewed any evidence pertaining to why private equity firms decided not to pursue the Acadia transaction, Ms. Allen replied, “I haven't reviewed anything other than the public information that's described in my report regarding that.”⁸⁶

44. Ms. Allen's failure to investigate whether the issues identified in the *Aurelius Value* and *Seeking Alpha* articles affected a potential acquisition undermines her conclusion that the reported

⁸² “Acadia Healthcare: Very Scary Findings From A 14-Month Investigation,” *Seeking Alpha*, November 16, 2018.

⁸³ See § III(A)(1).

⁸⁴ Craig-Hallum, “3Q18 Earnings Miss And Lowered FY18 Guidance Largely Due To Continued Labor Issues And Lower Census In The U.K. Maintaining HOLD Rating And \$34 Price Target,” November 6, 2018, p. 3 (emphasis added). See also, e.g., Craig-Hallum, “Revenue And EBITDA Beat With Robust Organic Growth. Reiterate Buy Rating And \$55 Price Target,” April 30, 2014, p. 4; Craig-Hallum, “Very Impressive 4Q14 With Conservative 2015 Guidance. Reiterating Buy Rating And Raising Price Target To \$75,” February 13, 2015, p. 4; Craig-Hallum, “Acadia Announces Another Accretive And Material Acquisition In The U.K. Our Revised Estimates Assume The Transaction Closes. Reiterating Our BUY Rating and \$100 Price Target,” January 5, 2016, P.5; Craig-Hallum, “Strong Occupancy Drives Margin Expansion. Reiterate BUY Rating And \$52 Price Target,” February 27, 2017, p. 5.

⁸⁵ Allen Deposition at 92:21-93:2.

⁸⁶ Allen Deposition at 98:2-8. Ms. Allen also testified that she doesn't “have any personal knowledge of what the views of the private equity firms were.” Allen Deposition at 85:4-6. I note that Ms. Allen appears to have reviewed at least some of the non-public production in this matter. (See Allen Report, ¶ 20, n.19 and ¶ 41, n.51).

termination of the proposed acquisition was “unrelated” to the alleged fraud.⁸⁷ In fact, the evidence suggests that issues raised in the *Aurelius Value* report and *Seeking Alpha* article were key factors considered by the two reported potential acquirers of Acadia, TPG and KKR.⁸⁸ Based on the documents I have reviewed in this case, there is significant evidence establishing a link between the alleged quality of care and staffing issues and these parties’ decision to abandon their plans to acquire Acadia.

45. For example, [REDACTED]

[REDACTED] g.”⁹⁰ Later that day, [REDACTED]

[REDACTED]⁹¹

46. Ten days later, [REDACTED]

[REDACTED]⁹⁴ This viewpoint was based on [REDACTED]

⁸⁷ Allen Report, ¶¶ 5; 36.

⁸⁸ Reuters, “Exclusive: Acadia Healthcare in talks with private equity firms – sources,” Oct. 18, 2018 (<https://www.reuters.com/article/us-acadia-health-m-a-exclusive/exclusive-acadia-healthcare-in-talks-with-private-equity-firms-sources-idUSKCN1MS1TY>)

⁸⁹ [REDACTED]

⁹⁰ [REDACTED]

⁹¹ [REDACTED] emphasis added).

⁹² [REDACTED]

⁹³ [REDACTED]

⁹⁴ [REDACTED]

[REDACTED] .95

47. Just five days later, [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] .97

48. In addition, [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] .99

49. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] .102

50. It is clear from this evidence that the alleged corrective disclosures tying the patient incidents at Acadia to its understaffing and other cost-cutting measures were a key factor in causing the prospective acquirers to abandon the deal, as they revised their assessment of Acadia's value. Rather than being a separate cause of Acadia's decline in value, the evidence suggests that the corrective disclosures and the abandonment of the acquisition are integrally related.

95 [REDACTED]
96 [REDACTED]
97 [REDACTED]
98 [REDACTED]
99 [REDACTED] Emphasis added.
100 [REDACTED]
101 [REDACTED]
102 [REDACTED]

51. Ms. Allen also ignores evidence that, in the weeks leading up to the November 16, 2018 corrective disclosure, analysts appeared hopeful that a private takeover of the company would take place so that Acadia's quality of care and staffing issues would be mitigated under the reduced visibility of a private company.

- a. *Leerink* wrote on October 18, 2018 that "[w]e expect the recent news flow on understaffing and quality of service delivery at ACHC in the short news report may be driving more willingness to entertain such a takeover of the company."¹⁰³ This stance was reiterated in another report by *Leerink* written on November 1, 2018.¹⁰⁴
- b. According to JP Morgan, "[g]iven recent media scrutiny of both ACHC & UHS, management may prefer to run a private company."¹⁰⁵
- c. In a Bloomberg article, Max Nisen noted "[o]n one level, that makes [Acadia] appealing as a possible buy-low candidate that could be fixed up out of the glare of public markets."¹⁰⁶

52. Between the release of the *Aurelius Value* report on October 11, 2018 and the *Seeking Alpha* article on November 16, 2018, sentiment arose that the quality of care, staffing, and compliance issues faced by Acadia could possibly be remedied by a private takeover, shielding the company from excess scrutiny. Once the expectations of a private takeover were diminished, the proceeding sell-off would have reflected not only the reduced likelihood of an acquisition, but also the lack of relief from scrutiny of the issues revealed by the corrective disclosures that a private equity acquisition would have provided.

53. While Acadia's share price decline on November 16, 2018 may have been related to news about the acquisition, Ms. Allen ignores the interplay between such news and the allegations in this matter. As Cantor Fitzgerald noted on November 16, 2018: "CNBC reports that ACHC's sales process has stalled... we expect the initial read-through by many is that ACHC's problems are more challenging than expected."¹⁰⁷ Given that Ms. Allen ignores evidence that take-private discussions stalled because of Acadia's alleged misconduct, her analysis of price impact is incomplete and unreliable.

C. Ms. Allen's review of "numerous similar news stories regarding the quality of care at Acadia's U.S. facilities" does not support a lack of price impact

54. According to Ms. Allen, information regarding the quality of care at Acadia's U.S. facilities "of the type that Plaintiffs allege is 'corrective' of the alleged misrepresentations" was released on occasions separate from the alleged corrective disclosures, but "there was no price reaction in Acadia's stock price

¹⁰³ Leerink, "PE Firms Reported To Be In Talks; 11-12x Possible," October 18, 2018.

¹⁰⁴ Leerink, "KKR Reported Near Deal to Acquire ACHC," November 1, 2018.

¹⁰⁵ J.P. Morgan, "ACHC LBO Speculation is Plausible but Faces Some Challenges," October 18, 2018.

¹⁰⁶ Max Nisen, "Why Are Buyout Firms Ready to Risk It on Acadia?" *Bloomberg*, October 22, 2018 at <https://www.wealthmanagement.com/property-types/why-are-buyout-firms-ready-risk-it-acadia-max-nisen>.

¹⁰⁷ "ACHC Down on Report That Sale Process Has Stalled," *Cantor Fitzgerald*, November 16, 2018 (emphasis added).

after any of these announcements, and no indication that these announcements changed analysts' perceptions of the quality of care at Acadia's U.S. facilities."¹⁰⁸

55. From an investor's perspective, issues regarding quality of care are important to the extent that they impact risk and expectations of future cash flows. Ms. Allen's analysis of selective news about Acadia's operations is uninformative because she does not attempt to show how these may have impacted the perceived value of Acadia.¹⁰⁹ In particular, Ms. Allen does not explain why the news she identifies would have been new and value-relevant to Acadia on the days that she examines.¹¹⁰

56. Furthermore, Ms. Allen's analysis is misleading to the extent that the dates for which she measures price reactions occurred after the underlying issues were reported. For instance, Ms. Allen measures the price impact when it was reported that an Acadia facility, Sierra Tucson, paid state civil penalties, even though the events resulting in the civil penalties were reported months earlier.¹¹¹ She also includes the price reaction on two separate dates reporting follow-on stories in 2015 and 2016 related to allegations of sexual assault by an employee of an Acadia facility, Park Royal Hospital, originally reported in 2013.¹¹² In her deposition, Ms. Allen admitted that she did not attempt to determine whether the news that was identified had been reported earlier,¹¹³ but conceded that announcements that do not reveal new information would not be expected to affect a company's stock price.¹¹⁴

57. Additionally, Ms. Allen ignores the information that was revealed in the alleged corrective disclosures, namely that these incidents were not simply isolated events unrelated to Acadia's operational issues; rather they were due to Acadia's understaffing and other cost-cutting measures. It is this linkage that allegedly affected investors' assessment of Acadia's value, which Ms. Allen fails to address.

¹⁰⁸ Allen Report, ¶ 48. Ms. Allen also claims that Plaintiffs' claims that Acadia did not maintain sufficient staffing to accommodate its growth is inaccurate because the growth rate in patient days approximated the growth rate in number of U.S. employees for a period covering portions of 2016 to 2018 (Allen Report, ¶ 20, n.19). She fails to examine, among numerous other factors, what portion of the growth in U.S. employees represents additional healthcare staff at Acadia facilities and provides no basis for her conclusion that the relationship she notes indicates Acadia's facilities were adequately staffed. Ms. Allen also claims that the pattern of same-store admissions growth in periods subsequent to the corrective disclosures is "[a]dditional evidence contrary to Plaintiffs' theory" (Allen Report, ¶ 53, n.65), but provides no analysis that would support such an assertion, nor does she attempt to control for or even acknowledge any of the myriad factors that might account for such trends.

¹⁰⁹ Ms. Allen testified that, in general, a single patient incident at a single facility of the type that is expected and happens frequently would not impact investor expectations. Allen Deposition at 115:10-20.

¹¹⁰ Ms. Allen was unable to specify the search terms and procedures used to compile the selected news articles. Allen Deposition at 103:10-25. Ms. Allen could not explain how the selected articles were "corrective" of the alleged misrepresentations. Allen Deposition at 106:16-108:2.

¹¹¹ "Third Sierra Tucson patient death in 13 months," Arizona Daily Star, February 7, 2015.

¹¹² "Mental health hospital employee accused of sexual misconduct with patients," Naples Daily News, September 19, 2013.

¹¹³ Q. For all of these 22 events, did you determine whether the news you identified was the first instance of that news being publicized?

A. We did not do that. We looked for events that reported news rather than whether it was the first one.

Allen Deposition at 112:6-10.

¹¹⁴ Allen Deposition at 113:23-114:9.

D. Ms. Allen's finding that "Acadia warned and analysts noted, before and during the alleged Class Period" that incidents could lead to negative publicity is irrelevant

58. According to Ms. Allen, "[i]t is not surprising that the alleged corrective disclosures did not have price impact because Acadia warned and analysts noted, before and during the alleged Class Period, that incidents in Acadia's psychiatric hospitals could lead to negative publicity and media coverage."¹¹⁵

59. As previously discussed, the information that allegedly caused Acadia's share price to decline was not simply the revelation of incidents leading to negative publicity.¹¹⁶ Rather, it was the revelation that such incidents had occurred as a result of Acadia's alleged systematic understaffing and regulatory and compliance failures, and that these failures could affect Acadia's financial performance. The risk disclosures that Ms. Allen cites are therefore inapt, and her testimony that the risk disclosures show that these incidents are "the nature of this business, and that is to be expected," is irrelevant.¹¹⁷

60. Furthermore, Ms. Allen does not appear to be offering an economic opinion. It is my understanding that the Court has ruled that "a reasonable juror could conclude that Defendants' statements regarding staffing levels and the quality of care at Acadia's facilities were material misrepresentations."¹¹⁸

IV. Measurement of Class-wide Damages

61. According to Defendants' Opposition, Plaintiffs "fail to present a viable damages model for their scheme claim" based on Defendants' assertion that I have not proposed a methodology "to isolate damages for the alleged scheme theory of liability."¹¹⁹ This reasoning is misplaced.

62. As an initial matter, I note that Ms. Allen does not dispute my opinion that damages to all members of the purported class are calculable on a class-wide basis. Furthermore, whether or not Defendants' alleged misconduct is found to be a scheme, or determined to meet some other legal definition, does not change the economic impact of the information allegedly concealed. From the perspective of investors in Acadia's stock, the allegedly false information was the same during the Class Period, regardless of how the mechanism by which this information was concealed or conveyed is characterized from a legal perspective.

63. The corrective information revealed to investors relates to revelations about Acadia's quality, compliance, staffing, and related alleged shortcomings in its operations that ultimately undermined investors' perceptions that the business could sustain and grow its earnings. The allegations are not, as Defendants' Opposition acknowledges, that the alleged scheme itself was revealed through a corrective

¹¹⁵ Allen Report, ¶ 54.

¹¹⁶ See, e.g., *supra* ¶¶ 39-41.

¹¹⁷ Allen Deposition at 117:19-20.

¹¹⁸ Memorandum dated January 20, 2021, p. 13.

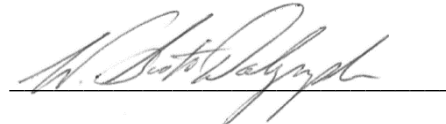
¹¹⁹ Defendants' Opposition, p. 29.

event.¹²⁰ As such, while there may be a need to separately evaluate allegations of Defendants' scheme from a legal perspective, there is no reason to make this distinction from an economic perspective.

64. Furthermore, I understand that the analysis of facts and determinations as to specific applications within my proposed damages framework are typically performed during the merits stage of a securities class action case when addressing loss causation and calculating damages, relying upon a relevant factual record that is complete, or at least materially so, with regard to such aspects of the case. It is both typical and appropriate that I would describe the specific facts and assumptions used in my damages model in detail once I have considered that factual record. But it would be premature to present a specific technique or model relevant to a particular claim before the relevant fact discovery is complete and other inputs relevant to the calculation of damages are made available in this matter.

V. Further Work

65. My analysis is ongoing, and I reserve the right to supplement my opinions as additional information is made available to me.

A handwritten signature in cursive script, appearing to read 'W. Scott Dalrymple', is written over a horizontal line.

W. Scott Dalrymple, CFA
BVA Group
Partner

¹²⁰ Defendants' Opposition, p. 29.

**SCOTT DALRYMPLE, CFA**

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Supplemental Appendix A

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Scott Dalrymple is an economist specializing in quantitative valuation, econometrics, statistics, securities analysis, antitrust, financial markets, and intellectual property.

Mr. Dalrymple has led numerous consulting, commercial litigation, and restructuring engagements on behalf of multinational companies, investors, financial institutions, and government agencies in the U.S., Europe, and Australia. He has testified in federal and state court and has advised clients in areas including:

- Application of economic, statistical, and quantitative methods used in business interruption matters, securities analysis, financial forecasting, valuation, and antitrust analyses;
- Construction of event studies, market efficiency tests, and other financial econometric models to assess share price artificiality associated with alleged misrepresentations and non-disclosures;
- Quantification of multibillion-dollar claims related to the securitization of residential mortgage-backed assets;
- Estimation of price artificiality arising from alleged manipulations in crude oil futures and options markets through monopolization of cash forward contracts;
- Valuation of residual interests in mortgage-backed securitizations based on loan-level econometric models and simulations;
- Analysis of reasonable royalty and lost profits damages arising from patent infringement claims;
- Development of economic and financial forecast models for purposes of capital restructurings, evaluating investment opportunities, and managing working capital; and
- Design of sampling procedures and statistical inferences drawn from samples used in fraud investigations, product evaluations, accounting reviews, and class certification analyses.

Mr. Dalrymple holds a Master of Science in Economics with a concentration in Industrial Organization from the London School of Economics and Political Science and a Bachelor of Business Administration in Finance and Business Honors from the University of Texas at Austin. He has presented to chapters of the American Bar Association, the Licensing Executives Society, and other organizations on topics including patent infringement damages, quantitative analysis, and macroeconomic trends. Mr. Dalrymple also contributed to the AICPA Practice Aid on Intellectual Property Infringement Damages and has been published in Law360. He is a member of the CFA Society of Dallas–Fort Worth.

Prior to joining BVA, Mr. Dalrymple was with AlixPartners and was an economist in the London office of a global economics consulting firm. Mr. Dalrymple began his career at PricewaterhouseCoopers and also worked in corporate finance and transaction advisory roles for a publicly-traded technology company.

SCOTT DALRYMPLE, CFA

PARTNER

TESTIMONY AND PUBLICATIONS

DEPOSITION:

Robert Strougo, Individually and on behalf of All Others Similarly Situated v. Tivity Health, Inc., et al.
Civil Action No. 3:20-cv-00165
United States District Court, Middle District of Tennessee, Nashville Division

Indiana Public Retirement System v. Michael T. Cartwright, et al.
Civil Action No. 3:19-cv-00407
United States District Court, Middle District of Tennessee, Nashville Division

St. Clair County Employees' Retirement System, Individually and on Behalf of All Others Similarly Situated v. Acadia Healthcare Company, Inc. et al.
Civil Action No. 3:18-cv-00988
United States District Court, Middle District of Tennessee, Nashville Division

Highfields Capital I LP, et al. v. SeaWorld Entertainment, Inc., et al.
Civil Action No. 3:18-cv-01276
United States District Court, Southern District of California, San Diego

Farmland Partners Inc., v. Rota Fortuna a/k/a David Quinton Mathews, QKM, L.L.C., et al.
Civil Action No. 1:18-cv-02351
United States District Court, District of Colorado

Nikki Bollinger Grae, individually and on Behalf of All Others Similarly Situated, v. Corrections Corporation of America, et al.
Civil Action No. 3:16-cv-02267
United States District Court, Middle District of Tennessee

Leaf Trading Cards, LLC v. The Upper Deck Company
Civil Action No. 3:17-CV-03200-N
United States District Court, Northern District of Texas, Dallas Division

Samsung Electronics America, Inc., v. All Pro Distributing, Inc., et al.
Civil Action No. 3:15-CV-04108-D
United States District Court, Northern District of Texas, Dallas Division

Royal Park Investments SA/NV, Individually and on Behalf of All Others Similarly Situated v. The Bank of New York Mellon, as Trustee
Cause No. 14-CV-6502
United States District Court, Southern District of New York

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Royal Park Investments SA/NV, Individually and on Behalf of All Others Similarly Situated v. HSBC Bank USA, National Association, as Trustee

Cause No. 14-CV-08175

United States District Court, Southern District of New York

Avaya Inc., v. Interactive Intelligence, Inc.

Cause No. 01-16-0004-7193

AAA Commercial Arbitration

Royal Park Investments SA/NV, Individually and on Behalf of All Others Similarly Situated v. Wells Fargo Bank, N.A., as Trustee

Cause No. 14-CV-9764

United States District Court, Southern District of New York

Royal Park Investments SA/NV, Individually and on Behalf of All Others Similarly Situated v. U.S. Bank National Association, as Trustee

Cause No. 14-CV-2590

United States District Court, Southern District of New York

Galt Strategies, LLC v. Critter Control, Inc., Kevin Clark, ABCN Services Corp., et al.

Cause No. DC-15-05281

162nd Judicial District Court, Dallas County, Texas

Royal Park Investments SA/NV, Individually and on Behalf of All Others Similarly Situated v. Deutsche Bank National Trust Company, as Trustee

Cause No. 14-CV-4394

United States District Court, Southern District of New York

Maxus Healthcare Partners, LLC ("Maxus"), v. Texas RHH, LLC d/b/a Renew Home Health, et al.

Cause No. 017-275219-14

17th Judicial District Court, Tarrant County, Texas

GTG Holdings, Inc. v. Amvensys Capital Group, LLC, ACG Telecom, LLC, and Z. Edward Lateef

Case No. 3:13-cv-03107-M

United States District Court, Northern District of Texas, Dallas Division

In The Matter of the Marriage of Jessica L. Jones and David E. Jones and in the Interest of David E. Jones, Jr., Jackson H. Jones and William A. Jones, Children

Case No. D-1-FM-13-001139

250th Judicial District Court, Travis County, Texas

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TRIAL AND HEARING:

Robert Strougo, Individually and on behalf of All Others Similarly Situated v. Tivity Health, Inc., et al.
Civil Action No. 3:20-cv-00165
United States District Court, Middle District of Tennessee, Nashville Division

Shirley Jones, Individually and on Behalf of Her IRAs, et al., v. WFG Investments, Inc., WFG Advisors, LP, Wilson H. Williams, and David W. Williams
Case No. 16-03743
Financial Industry Regulatory Authority

*Smith Walker v. E*Trade Securities LLC and E*Trade Clearing LLC*
Case No. 16-03022
Financial Industry Regulatory Authority

Avaya Inc., v. Interactive Intelligence, Inc.
Cause No. 01-16-0004-7193
AAA Commercial Arbitration

Maxus Healthcare Partners, LLC ("Maxus"), v. Texas RHH, LLC d/b/a Renew Home Health, et al.
Cause No. 017-275219-14
17th Judicial District Court, Tarrant County, Texas

Galt Strategies, LLC v. Critter Control, Inc., Kevin Clark, ABCN Services Corp., et al.
Cause No. DC-15-05281
162nd Judicial District Court, Dallas County, Texas

Edward Kennard Andrew and Mark L. Hepworth v. Southwest Securities, Inc.
Case No. 14-02566
Financial Industry Regulatory Authority

In the Matter of the Marriage of Jessica L. Jones and David E. Jones and in the Interest of David E. Jones, Jr., Jackson H. Jones and William A. Jones, Children
Case No. D-1-FM-13-001139
250th Judicial District Court, Travis County, Texas

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PRESENTATIONS AND PUBLICATIONS:

Co-Author (with Jody Bland and Todd Goldwasser), "The SEC's Modernized Marketing Rule and Performance Measurement Issues for Investment Advisers," *Securities Regulation Law Journal*, Vol. 49 No. 3, Fall 2021.

Co-Author (with Joseph R. Mason and Jody Bland), "Collateralized Loan Obligations: Overview and Challenges," *BVA Group*, May 14, 2020.

Co-Author (with Robert Manz and Emily Chiu), "COVID-19 Business Interruption Claims: Causation May be Key," *BVA Group*, April 24, 2020.

Co-Author (with Joseph R. Mason and Jeffrey D. Balcombe), "Financial Supervision and Regulation in the US: Dodd-Frank Reform," *European Parliament*, December 2018.

Contributing Author, Hitchner, James R., *Financial Valuation: Applications and Models*, Fourth Edition, April 2017.

Series N and Super Priority Preferred: The Unintended Consequences of Increasing Complexity in Today's Capital Markets, Houston Bar Association Securities Litigation and Arbitration Section, April 11, 2017.

Co-Author, "Don't Shoot the Methodology: Use and (Mostly) Misuse of the Nash Bargaining Solution," *Law360*, March 2014.

Economic Factors That Influence Royalties: Application of Game Theory, LES Seattle Chapter Presentation, November 14, 2013.

Bargaining Power in Licensing Negotiations, LES San Diego Chapter Presentation, March 12, 2013.

Bargaining Theory in Reasonable Royalty Calculations, ABA Webinar, December 14, 2012.

Contributing Author, "Calculating Intellectual Property Infringement Damages," AICPA Practice Aid 06-1, 2012.

AFFILIATIONS:

The Economic Club of Washington D.C., panelist judge for the Philip M. Dearborn and Vernon E. Jordan fellowships for graduate students pursuing doctoral degrees in the fields of economics, finance, and business, 2014 to 2020.

CFA Institute and CFA Society of Dallas–Fort Worth.

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PARTIAL LIST OF CASES

Mr. Dalrymple has been involved with the following types of cases in a consulting and/or testifying capacity:

VALUATION AND SECURITIES ANALYSIS

- Provided expert and rebuttal opinions on share price inflation and aggregate damages on behalf of a former Australian electronics retail chain.
- Provided expert testimony on damages and losses on behalf of a broker/dealer arising from a series of private placement investments and offerings.
- Quantified the impact of trustees' alleged failures to repurchase loans on behalf of a residential mortgage backed securitization (RMBS) investor.
- Developed a class-wide damage model arising from suitability claims against an investment bank.
- Provided expert testimony in support of class certification on behalf of residential mortgage backed securitization (RMBS) holders.
- Analyzed market efficiency in support of fairness and solvency opinions related to shares of publicly traded companies in the energy sector.
- Prepared event studies and damages analyses based on various share matching (LIFO, FIFO, offsets) and account consolidation conventions on behalf of security holders evaluating class action opt outs.
- Analyzed trading activity and valuations of restricted and unrestricted shares associated with an alleged pump-and-dump scheme following a reverse merger.
- Provided expert opinions and rebuttal of opposing expert analysis regarding share price inflation damages on behalf of an Australian industrial conglomerate involved in a shareholder class action lawsuit.
- Served as a testifying expert in an arbitration matter involving the liquidation of margin positions.
- Provided economic and statistical analysis of loan collateral characteristics, performance, and alleged misrepresentations associated with residential and commercial mortgage-backed securities on behalf of multinational financial institutions and investors.
- Developed econometric models to establish relationships between crude oil futures and options prices and numerous industrial, financial, and macroeconomic variables in a securities class action lawsuit.
- Provided expert testimony on the valuation of a healthcare services company.
- Served as a consulting expert for government agencies in negotiations of multibillion-dollar settlements involving the origination, sale, and securitization of residential mortgages.
- Negotiated the value of residual interests in Canadian mortgage-backed securities on behalf of the bankrupt sponsor based on econometric models and Monte Carlo simulations used to predict future cash flows from individual mortgages.

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- Provided expert opinions the solvency of a debtor subsidiary in the telecom industry facing fraudulent transfer allegations.
- Analyzed the economic merits of civil penalties assessed by the U.S. SEC related to the sale of restricted stock.
- Assessed the appropriateness of certain private equity investments related to the investment policy statement of a family limited partnership.
- Evaluated the economic merits of breach of fiduciary duty claims related to options trading strategies in a jointly-held investment account.
- Quantified share price inflation damages on behalf of an Australian contracting and development company involved in a shareholder class action lawsuit.
- Evaluated share price inflation allegations against an Australian real estate investment trust and quantified damages based on multiple share purchase matching approaches and detailed trading data in a shareholder class action lawsuit.
- Analyzed plaintiff and defendant shareholder damages models related to claims against an Australian commodities company in a shareholder class action lawsuit.
- Investigated quantitative methods used to value the structured credit portfolios of a global investment and insurance company.
- Advised a major U.S. bank on the write-down of its structured finance portfolio.
- Quantified share price inflation and corresponding damages based on allegations against an Australian gaming corporation in a shareholder class action lawsuit.
- Analyzed the effects of management representations on a U.S. technology firm's share price in a shareholder class action lawsuit.
- Examined the impact of accounting scandal revelations on the share price of a U.S. media firm in a shareholder class action lawsuit.
- Constructed a Monte Carlo simulation to estimate the value of performance-based incentives in the UK media industry.

ANTITRUST AND REGULATION

- Provided expert testimony on relevant market definitions, market power, and vertical restraints of competition on behalf of a manufacturer in a case involving allegations of market foreclosure.
- Quantified damages on behalf of a plaintiff class alleging overcharges on purchases of accessory items.
- Provided expert opinions in support of class certification in a case involving alleged overcharges of building materials.
- Quantified the impact of price artificiality associated with alleged market manipulations in crude oil futures and options markets.
- Assessed the impact of monopolization claims on prices in the European automobile parts market.

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- Evaluated monopolization claims in the market for remanufactured printer cartridges.
- Analyzed the price impact of alleged false advertising claims in the market for fruit juices.
- Assisted a European competition authority in a review of its financial services sector based on event studies used to estimate the effect of firm entry on lending rates.
- Examined the impact of competition policies on the personal banking sector in a national European market based on quantitative analysis of current account activity associated with major banks.
- Analyzed the impact of a UK pharmaceutical firm's alleged predatory pricing behavior on sales of its primary competitor.
- Quantified the impact of regulatory and commercial changes on a portfolio of media and gambling rights in the UK.
- Developed an industrial analysis framework used to evaluate competitive drivers across several manufacturing sectors for purposes of valuing a European manufacturing firm.

INTELLECTUAL PROPERTY

- Provided testimony rebutting an opposing expert's lost profits calculations arising from claims of intellectual property infringement, trade secret misappropriations, tortious interference and other allegations.
- Led the analysis of reasonable royalty damages on behalf of more than 150 defendants alleged to infringe a single patent covering widely-used website features related to geographic location services.
- Provided expert testimony regarding the economics of contractual royalty calculations on behalf of a U.S. communications company.
- Served as a testifying expert on behalf of a consulting firm seeking damages arising from alleged misappropriations of trade secrets.
- Assessed the merits of trade secret misappropriation claims against a global energy services company.
- Evaluated reasonable royalty claims associated with alleged U.S. patent infringements related to numerous technologies, including:
 - Telephony and cellular network;
 - Network architecture;
 - Hardware and software technology;
 - Digital media;
 - Remote access technologies;
 - Power converter architectures;
 - E-commerce;
 - Garments and apparel;
 - Automotive parts;

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- Food processing;
 - Methods for check payment processing;
 - Geographic location services; and
 - Oil and gas exploration.
- Advised patent holders on strategic opportunities and licensing strategy for purposes of monetizing patent portfolios in the network technology and electronic storage industries.
- Computed lost profits, unjust enrichment, and reasonable royalty damages arising from theft of trade secrets claims brought by a specialized provider of electronic components against former employees.
- Assessed damages associated with contingency fee agreements between a law firm and former client arising from the settlement of a patent litigation lawsuit.
- Analyzed lost profits damages arising from patent infringement claims covering a wide range of network, software, and industrial applications.
- Composed a series of intellectual property valuations submitted to European tax authorities on behalf of a global steel manufacturer.
- Assessed the economic merits of an injunction claims against a major provider of rail track inspection services.
- Evaluated price erosion claims on behalf of defendants accused of patent infringement in industrial applications.
- Assessed damages arising from trade secret claims involving tens of millions of transactions in the freight industry.
- Evaluated damages arising from trademark infringement claims against companies in the financial services, technology, and automotive industries.

COMMERCIAL LITIGATION AND INVESTIGATIONS

- Designed sampling procedures and advised on statistical inferences drawn from samples used in numerous fraud investigations, accounting reviews, and class certification analyses.
- Provided expert opinions based on statistical and econometric models used to evaluate employee allegations of discrimination under U.S. Title VII.
- Led the sampling, investigation, and extrapolation of results from transaction data retrieved from various accounting systems for purposes of identifying unreported IT costs in a breach of contract dispute involving a major U.S. hospital network.
- Provided expert opinions on lost wages associated with an alleged wrongful termination of a public services officer.
- Assessed damages associated with contingency fee agreements between a law firm and former client arising from the settlement of a patent litigation lawsuit.
- Constructed a series of econometric and financial models used to evaluate breach of contract claims in the freight and shipping industry based on the analysis of tens of millions of individual shipping records.

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- Quantified the effects of a U.S. publicity scandal on Japanese sales of celebrity-sponsored products based on a quantitative analysis of sales data, controlling for numerous macroeconomic factors.
- Analyzed the forgone acquisition value of a UK retailer due to an alleged breach of fiduciary duty.

TURNAROUND AND RESTRUCTURING

- Assisted a regional hospital in preparing for Chapter 11 proceedings.
- Implemented a weekly cash projection process and advised on working capital strategies that enabled a U.S. manufacturer to operate within its asset-based facility.
- Managed the implementation of financial models and weekly cash management processes on behalf of a U.S. metals distributor.
- Developed a series of integrated financial models that enabled a public U.S. technology firm to evaluate restructuring opportunities and secure long-term and short-term funding.
- Implemented a short-term cash management tool and monthly strategic model for a private equity portfolio company
- Developed cash forecast and liquidation models on behalf of creditors of a U.S. metal fabricator.
- Assisted a U.S. hospital operator in developing financial plans used to secure additional funding.
- Estimated the impact of an audit firm's alleged misrepresentations on the unsecured claims against a U.S. company's bankrupt estate.
- Quantified the value of life insurance and executive benefit claims against a U.S. bankruptcy estate based on various actuarial assumptions.
- Advised on the reliability of a U.S. distributor's financial model and business plan based on a series of financial and statistical tests.
- Negotiated the settlement of numerous claims on behalf of a U.S. bankruptcy estate.
- Managed bankruptcy proceedings on behalf of a regional U.S. electronics chain.

BUSINESS ADVISORY AND CORPORATE FINANCE

- Designed econometric models to measure revenue impacts of product placements for a global consumer product company.
- Advised a U.S. freight company on the design and implementation of financial and economic forecasting tools.
- Designed sampling procedures to optimize new sporting goods product tests given limited access to college-level athletes.
- Identified demand drivers for an equipment manufacturer based on econometric analyses of distribution channels and inventory levels.

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- Developed a comprehensive IT framework that enabled a U.S. manufacturer to project short-term borrowing requirements in a consolidated database/ERP system.
- Designed weekly cash management and monthly financial reporting tools for multiple private equity portfolio companies in the marketing and broadcast industries.
- Managed numerous projects for a public U.S. technology firm, including: product pricing and bundling analysis, development of operational metrics, and the redesign of the commission structure.
- Designed and implemented automation tools used in numerous business planning and reporting applications for clients in the retail, shipping, and manufacturing sectors.
- Advised a commercial real estate client on the sale of a major U.S. shopping mall.

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St. Clair County Employees' Retirement System, et al. vs. Acadia Healthcare Company, Inc. et al.
Supplemental Appendix B - Additional Information Considered

Bates range*:

Bates Begin	Bates End
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ACADIA00000050	ACADIA000000509
ACADIA000000519	ACADIA000000550
ACADIA000000869	ACADIA000000869
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ACADIA00001954	ACADIA00001986
ACADIA00001997	ACADIA00002009
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RHJA00000041	RHJA00000043
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RHJA00000051	RHJA00000051

St. Clair County Employees' Retirement System, et al. vs. Acadia Healthcare Company, Inc. et al.
Supplemental Appendix B - Additional Information Considered

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**St. Clair County Employees' Retirement System, et al. vs. Acadia Healthcare Company, Inc. et al.
Supplemental Appendix B - Additional Information Considered**

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TPG000001	TPG000104

Court Documents:

- (1) Defendants' Opposition to Plaintiffs' Motion for Class Certification, dated 07/02/2021
- (2) Declaration in Support of Defendants' Opposition to Plaintiffs' Motion for Class Certification with Exhibits, dated 07/02/2021
- (3) Defendants' Opposition to Plaintiffs' Motion for Class Certification, dated 03/01/2022

Depositions and Related:

- (1) Deposition Transcript of W. Scott Dalrymple, dated 6/3/2021
- (2) Deposition Transcript of Lucy P. Allen, dated 3/11/2022

Expert Reports:

- (1) Expert Report of W. Scott Dalrymple, dated May 3, 2021
- (2) Expert Report of Lucy P. Allen and reliance materials, dated 07/02/2021
- (3) Expert Report of Lucy P. Allen, dated 02/28/2022

St. Clair County Employees' Retirement System, et al. vs. Acadia Healthcare Company, Inc. et al. Supplemental Appendix B - Additional Information Considered

Analyst Reports:

- (1) 2014-01-03 Avondale - ACHC-Raise PT as Formidable Acquisitions Lengthen M&A Runway
- (2) 2014-01-06 Baird - 2014 Outlook - Stick with Psych and Acute Care
- (3) 2014-01-06 Bank of America - 2014 - Out perform on Reform Top pick CYH
- (4) 2014-01-06 Bank of America - CA and WA acquisitions highlight pipeline, raising ests
- (5) 2014-01-06 Bank of America - Q4 an avg flu season, but down year over year
- (6) 2014-01-06 Deutsche Bank - Deals announced & Q4 previewed
- (7) 2014-01-06 Raymond James - Closes on Two More Acquisitions, Raising Estimates
- (8) 2014-01-08 Deutsche Bank - 2014 outlook-stay the course
- (9) 2014-01-09 RBC Capital Markets - Outlook and sector operating trends snapshot
- (10) 2014-01-10 Avondale Hospital - Positive Unemployment Trends Continue
- (11) 2014-01-10 Raymond James - The Good (Exchanges), the Bad (Medicaid)
- (12) 2014-01-21 RBC Capital Markets - News from Nashville
- (13) 2014-01-21 Stephens - Healthcare Services Weekly Valuation and Performance Measures
- (14) 2014-01-27 Jefferies - Weekly Check-Up - ObamaCare Enrollment Diverts Attention
- (15) 2014-01-27 Stephens - Healthcare Services Weekly Valuation and Performance Measures
- (16) 2014-01-31 Deutsche Bank - CMS delays 2 midnight rule - near-term +ve
- (17) 2014-02-03 Jefferies - Weekly Check-Up-Focus This Week will Be on HCA's 'Reform' Commentary
- (18) 2014-02-03 RBC Capital Markets - News from Nashville
- (19) 2014-02-10 Jefferies - Weekly Check-Up - Reimbursement Concerns Re-Emerge
- (20) 2014-02-19 Avondale - ACHC - 4Q13 First Look
- (21) 2014-02-19 Baird - First Blush - Guidance vs. Street = Apples to Squash
- (22) 2014-02-19 Raymond James - 4Q as Expected but Initial 2014 Guidance Misses the Mark
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- (25) 2014-02-20 Bank of America - Quick takes from the call
- (26) 2014-02-20 Raymond James - 4Q Solid, Capital Deployment to Drive Upside to 2014 Outlook
- (27) 2014-02-21 Bank of America - Initial guide law, but sets the base for growth
- (28) 2014-02-24 Avondale - ACHC - Update Long-Term Earnings Power Analysis
- (29) 2014-02-24 Jefferies - Weekly Check-Up - Medicaid Expansion Appears to be Working
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- (32) 2014-03-04 Baird - POTUS Budget - Non-Event for Most, Modest Positive for Psych
- (33) 2014-03-04 Jefferies - Obama FY15 Budget - Negative for Home Health & Post-Acute
- (34) 2014-03-04 Stephens - Healthcare Services Weekly Valuation and Performance Measures
- (35) 2014-04-04 Bank of America - Mgmt meeting takeaways - Bullish outlook reiterated
- (36) 2014-04-17 Deutsche Bank - Psych PPS rule-making process impending - use pull-back as oppy
- (37) 2014-04-18 Baird - IP Psych - Recap of Conf Call with NAPHS, Remain Bullish on UHS and ACHC
- (38) 2014-04-24 Bank of America - Psych quality data released, UHS and ACHC better than avg
- (39) 2014-04-29 Baird - First Look - Strong 1Q Results, SS Growth Accelerates
- (40) 2014-04-29 Bank of America - Q1 beat highlighted by strong same store growth
- (41) 2014-04-29 Raymond James - Slight 1Q14 Beat on Solid Organiz Growth - Playing the M&A Waiting Game
- (42) 2014-04-30 Baird - 1Q14 Recap - Bed Adds Provide High Visibility into Organic Vol Growth
- (43) 2014-04-30 Bank of America - Quick takes from the call
- (44) 2014-04-30 Raymond James - Solid 1Q Even with De Novo Drag
- (45) 2014-05-02 Baird - IP Psych and Rehabd - 2015 Regs Look Good
- (46) 2014-05-02 Bank of America - IRF reg in line, +2.2% update
- (47) 2014-05-02 Bank of America - Psych update in-line, no refinements until 2017
- (48) 2014-05-02 Deutsche Bank - CMS issues proposed FY 2015 IRF and Inpatient Psych PPS rule
- (49) 2014-05-02 Raymond James - Psych and IRF FY15 Rate Proposals Offer No Major Surprises
- (50) 2014-05-02 Stephens - CMS Issues Proposed Rules fro SNF and IPF
- (51) 2014-05-05 Cantor Fitzgerald - No Real Change in 2014-15 Outlook; Reiterating BUY Rating and \$57 Price Target
- (52) 2014-05-05 Jefferies - Weekly Check-up - Mixed Earnings Bag but More Evidence of Reform Working
- (53) 2014-05-05 Stephens - Healthcare Services Weekly Valuation and Performance Measures
- (54) 2014-05-12 RBC Capital Markets - News from Nashville

St. Clair County Employees' Retirement System, et al. vs. Acadia Healthcare Company, Inc. et al. Supplemental Appendix B - Additional Information Considered

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- (56) 2014-05-15 Bank of America - Conference quick takes
- (57) 2014-05-15 Craig Hallum - Revenue and EBITDA Beat with Robust Organic Growth
- (58) 2014-05-23 Stephens - Healthcare Services Weekly Valuation and Performance Measures
- (59) 2014-05-27 Jefferies - Weekly Check-up - Thoughts Ahead of Next Week's Jefferies Healthcare Conference
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- (61) 2014-06-03 Baird - Acadia Goes Global
- (62) 2014-06-03 Bank of America - ACHC enters UK, acquires Partnerships in Care
- (63) 2014-06-03 Citi - Trans-Atlantic Move Viewed Cautiously
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- (65) 2014-06-03 Raymond James - Partnerships in Care Acquisition a Multi-Faceted Leap Forward
- (66) 2014-06-13 Bank of America - Raising estimates for the PiC acquisition
- (67) 2014-06-13 Raymond James - Acadia Issues 7.7 million Shares in Follow-On Offering
- (68) 2014-06-25 Wells Fargo - Estimating Impact of VA Bill for Behavioral Providers
- (69) 2014-07-02 Baird - Blowing Through \$1B Target - Raising Estimates
- (70) 2014-07-02 Raymond James - Closes PiC Deal, Adjusting Model Higher on Financing Timing
- (71) 2014-07-29 Bank of America - Another impressive organic growth Q, deals continue
- (72) 2014-07-29 Jefferies - +11.5% Same-Facility Rev Increase Highlights Solid Two-Pronged Growth Strategy
- (73) 2014-07-29 Raymond James - First Take - Solid Organic Volumes Drive EBITDA Growth and Margin Recovery
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- (75) 2014-07-30 Bank of America - Quick takes from the call
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- (79) 2014-08-25 Jefferies - Sector 'Physical' Thoughts & Stock Picks for 2H14
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- (81) 2014-08-29 Jefferies - Riding the Nashville Bus Bolstered Our Positive View on Healthcare Providers
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- (83) 2014-09-03 Jefferies - Expanded Noted Following Nashville Healthcare Bus Tour
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- (85) 2014-09-15 Deutsche Bank - Take-aways from mgmt mtg & thoughts on S&P 500 addition
- (86) 2014-09-15 Deutsche Bank - UHS enters UK behavioral market with Cygent Health Care deal
- (87) 2014-09-15 Raymond James - UHS to Purchase U.K. Behavioral Health Company
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- (91) 2014-10-01 Deutsche Bank - Regulatory update on behavioral health care facilities sector
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- (93) 2014-10-29 Baird - First Look - Big Quarter, Big Deal -- Buying CRC
- (94) 2014-10-29 Raymond James - First Take - Solid 3Q14 Results Overshadowed by CRC Health Deal
- (95) 2014-10-30 Baird - 3Q14 Recap - Strong Quarter, Raising Estimates and Incorporating CRC
- (96) 2014-10-30 Bank of America - Beat & Raise - deals on both sides of the Atlantic
- (97) 2014-10-30 Bank of America - Quick takes from the call
- (98) 2014-10-30 Raymond James - CRC Health Deal Meaningfully Accretive to 2015E EPS
- (99) 2014-12-05 Bank of America - Another deal in the works underscores full deal pipeline
- (100) 2015-01-05 Deutsche Bank - Maintain Overweight Stance
- (101) 2015-01-05 Jefferies - HC Providers Face Relatively Low Risk Despite Potential for Rising Rates
- (102) 2015-01-06 Stephens - Themes to Monitor in 2015 for Healthcare Services
- (103) 2015-01-29 Avondale - Hospital, Behavioral, & Specialty HC Services 4Q Preview, Expect Strong 4Q
- (104) 2015-02-06 Baird - New Model for Currency, CRC Financing and Accelerated Deal Close
- (105) 2015-02-11 Baird - 4Q14 First Look-Optical Guide-Down, Buyers All Morning
- (106) 2015-02-11 Raymond James - 4Q Beat on Strong SS Sales, Guidance Conservative with Higher Stock Comp
- (107) 2015-02-12 Bank of America - Quick takes from the call
- (108) 2015-02-12 Bank of America - Solid Q4 but guidance below on stock comp, FX, denovos
- (109) 2015-02-12 Deutsche Bank - Q4 Wrap-growth story intact

St. Clair County Employees' Retirement System, et al. vs. Acadia Healthcare Company, Inc. et al. Supplemental Appendix B - Additional Information Considered

- (110) 2015-02-12 Raymond James - 2015 Puts and Takes Lowering Estimates, Thesis Unchanged
- (111) 2015-02-13 Baird - 4Q14 Recap-SLight Reset to Numbers Doesn't Alter Thesis
- (112) 2015-02-18 Deutsche Bank - ACA exchange sign-ups tracking 11.4M+
- (113) 2015-02-18 Stephens - Healthcare Services Weekly Valuation and Performance Measures
- (114) 2015-03-02 Bank of America - Small deal but underscores active deal pipeline
- (115) 2015-03-09 Raymond James - Numbers Higher Following Substance Abuse Deal Earlier This Week
- (116) 2015-03-12 Raymond James - Facts vs. 'Short Report' Assertions
- (117) 2015-03-19 Raymond James - 4Q14 Same-Store EBITDA and Quarterly Trends Report
- (118) 2015-03-20 Baird - Recap of HQ Visit-Not Done Yet - Raising Price Target to \$86
- (119) 2015-03-20 Bank of America - Balance sheet handbook-Capital deployment continues
- (120) 2015-04-01 Baird - April Focus Ideas that Screen Favorably in ERM
- (121) 2015-04-10 Baird - PiC Continues to Grow
- (122) 2015-04-13 Avondale - AAC, ACHC, HCA- Behavioral Healthcare Conference - Points of Interest
- (123) 2015-04-27 Avondale - HC Services 1Q15 Preview-ACC, ACHC, AMSC, CYH, HCA, LPNT, UHS
- (124) 2015-04-27 Bank of America - Psych update in-line, no major policy change
- (125) 2015-04-27 Deutsche Bank - CMS issues proposed FY 2016 Inpatient Psych PPS rule
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- (128) 2015-04-28 Baird - 1Q15 Recap-Beat-Raise, UK Deals Announced
- (129) 2015-04-28 Bank of America - Beat and raise on solid organiz growth and deals
- (130) 2015-04-28 Raymond James - Modest Beat for 1Q15, UK M&A Announced and Guidance Raised
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- (132) 2015-04-30 Raymond James - Bed Additions and M&A to Drive Out Year Growth
- (133) 2015-05-05 Susquehanna - Acadia Healthcare-Announces Equity Offering
- (134) 2015-05-07 Bank of America - Lining up funds ahead of another wave of deals
- (135) 2015-05-12 Bank of America - Conference quick takes
- (136) 2015-05-14 Baird - New Model -- Expect Another Good-Sized UK Deal June 1
- (137) 2015-05-27 Baird - Inpatient Psych-Favorable Clarification of IMD for Medicaid Managed Care
- (138) 2015-05-27 Bank of America - Medicaid reg appears benign, IMD changes +ve for ACHS-UHS
- (139) 2015-05-27 Deutsche Bank - CMS proposal for Medicaid HMOs includes psotive IMD regs
- (140) 2015-05-27 RBC Capital Markets - CMS proposal suggest positive momentum on IMD
- (141) 2015-06-02 Baird - More Deals than Expected, Raise Estimates
- (142) 2015-06-02 Bank of America - As expected, first wave of deals post the stock offering
- (143) 2015-06-02 Raymond James - M&A Offsets Offering Dilution, FCF and Revolver Provide Dry Powder
- (144) 2015-06-11 Raymond James - Notes from ther Road, Broad-based Behavioral Opportunity Intact
- (145) 2015-08-03 Bank of America - Final psych reg roughly in line, no timeline for refinements
- (146) 2015-08-04 Mizuho - Solid 2Q Beat and Guidance Raise
- (147) 2015-08-04 RBC Captial Markets - Final Rules for Psych, IRFs, and Hospice appear in line
- (148) 2015-08-05 Baird - 2Q15 Recap-Nice Beat-Raise, Street Way Too Low for 2016
- (149) 2015-08-05 Bank of America - Quick takes from the call
- (150) 2015-08-05 Bank of America - Raising the bar (again)
- (151) 2015-08-05 Raymond James - M&A and De Novo Beds to Drive Out-Year Growth
- (152) 2015-08-05 Raymond James - Modest Beat for 2Q15, UK M&A Announced and Guidance Raised
- (153) 2015-09-02 Baird - Updating Model for Deals, Street Still Looks Low
- (154) 2015-09-02 Bank of America - Raising estimates for another set of deals
- (155) 2015-09-02 Mizuho - Adding to the UK Portfolio, Raising Estimates
- (156) 2015-09-02 Raymond James - Acadia Continues UK M&A Spree, Adds Six Facilities-149 beds
- (157) 2015-09-16 JP Morgan - Initiating Coverage, Navigating Act II of the ACA
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- (159) 2015-11-05 Baird - 3Q15 Recap-Remains a Top Pick
- (160) 2015-11-05 Raymond James - 3Q15 Beat - 4 New Acquisitions Announced
- (161) 2015-11-05 Wells Fargo - Strong 3Q15 Results, Raises Guidance
- (162) 2016-01-05 Raymond James - Announces Large, Accretive UK Behavioral Health Deal
- (163) 2016-02-03 Baird - TRICARE Proposed Rule Reinforces Policy Tailwinds
- (164) 2016-02-16 Baird - Good Quarter, Mixed Guide

St. Clair County Employees' Retirement System, et al. vs. Acadia Healthcare Company, Inc. et al. Supplemental Appendix B - Additional Information Considered

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- (166) 2016-02-17 Avondale - Growth Intact, but Applying a More Reasonable Multiple to PT
- (167) 2016-02-17 Baird - 4Q15 Recap-SS Growth Visibility High, Tailwinds Support Valuation
- (168) 2016-02-17 Bank of America - Quick takes from the call
- (169) 2016-02-17 Bank of America - Solid Q4 as organic growth rebound, guide in line given financing environment
- (170) 2016-02-17 Raymond James - 4Q15 Slight Beat-2016 Guidance Light Due to Timing
- (171) 2016-02-18 Baird - Thoughts on CMA Review, Defending ACHC
- (172) 2016-02-23 Raymond James - Expect Rebound as Leverage, U.K. Exposure and Uncertainty Likely at Peak
- (173) 2016-04-01 Mizuho - Management Meetings Highlights
- (174) 2016-04-13 Baird - 2016 Medicare Rulemaking Guidebook and Sector Pricing Models
- (175) 2016-04-16 Craig Hallum - Our Views On the Stock After Hosting Recent Investor Meetings
- (176) 2016-04-21 Leerink - WH Review of Mgd Medicaid Rule Complete, Federal MLR Oversight w IMD Exclusion
- (177) 2016-04-25 JP Morgan - In-line with Expectations
- (178) 2016-04-25 Susquehanna - Initial Thoughts on CMS; Final Medicaid Managed Care Regulations
- (179) 2016-04-25 UBS - Some Good News for ACHC & UHS; IMD Exclusion Relief Included in Final Managed Medicaid Rule
- (180) 2016-04-26 Avondale - Expect Positive Momentum from Final Medicaid Rule to Drive Stocks
- (181) 2016-04-26 Baird - Inpatient Psych - Boom! Favorable IMD Ruling Should Rally ACHC-UHS
- (182) 2016-04-26 Bank of America - IMD exclusion workaround finalized, positive for ACHC and UHS
- (183) 2016-04-26 Leerink - CMS Releases Final Managed Medicaid Rule, Finalizes MLR Floor at 85%
- (184) 2016-04-26 RBC Capital Markets - Medicaid final rule-significant growth opportunity for behavioral health
- (185) 2016-04-28 Baird - Strong SS Growth-UK Noisy
- (186) 2016-04-28 Mizuho - Raising Price Target on Nice 1Q16
- (187) 2016-04-28 UBS - Another Strong Quarter, SS Rev Growth Reaccelerates to 9.2%
- (188) 2016-04-29 Bank of America - Impressive organic growth confirms the story is on track
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- (190) 2016-04-29 Raymond James - Strong 1Q16 Driven by +9.2% Organic Volume Growth
- (191) 2016-04-29 UBS - IMD Legislation and JV's Further Enhance ACHC's Growth Story
- (192) 2016-05-02 Raymond James - Outlook Strong, IMD Exclusion to Benefit 2H16
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- (195) 2016-05-09 JP Morgan - Highlights from 2016 NYC NDRS Week
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- (197) 2016-06-23 JP Morgan - ACHC Brexit Impact is Modest Given FX Move Thus Far
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- (203) 2016-07-13 UBS - Hospital-Provider SI Up 40 bps in 2H of June
- (204) 2016-07-14 Baird - CMA Phase 1 Escalates...Or Does it
- (205) 2016-07-14 Mizuho - Initial Thoughts on CMA-Not the Outcome We Wanted, but Not a Deal Breaker Either
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- (207) 2016-07-14 Stephens - CMA Review Continues, Sell-Off Overdone
- (208) 2016-07-14 Stephens - Healthcare Services 2Q16 Preview
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- (214) 2016-07-26 Mizuho - Channel Checks Suggest Phase 2 CMA Investigation Likely Outcome
- (215) 2016-07-26 Mizuho - Has 'Adjusted EPS' Become Too Adjusted
- (216) 2016-07-28 Bank of America - Positive Momentum on Priory CMA decision, Reiterate Buy
- (217) 2016-07-28 Mizuho - Positive Development in CMA Case
- (218) 2016-07-28 Wells Fargo - Priory Undertakings Might Be Acceptable is a Positive Development
- (219) 2016-07-29 Bank of America - Organic growth continues to impress, guidance cut on FX-Priory synergy delay

St. Clair County Employees' Retirement System, et al. vs. Acadia Healthcare Company, Inc. et al. Supplemental Appendix B - Additional Information Considered

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- (223) 2016-07-29 Raymond James - EPS Guidance Lowered \$0.20 Due to FX Pressure and Priory Review
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- (250) 2016-11-01 Mizuho - EPS In-Line with Pre-Report, Awaiting Tomorrow's Conference Call for More Details
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- (274) 2017-01-06 Stephens - Return of Healthcare Services

St. Clair County Employees' Retirement System, et al. vs. Acadia Healthcare Company, Inc. et al. Supplemental Appendix B - Additional Information Considered

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- (288) 2017-02-23 Baird - 4Q16 Pre-Call and New Model, This Sets Up Interesting
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St. Clair County Employees' Retirement System, et al. vs. Acadia Healthcare Company, Inc. et al. Supplemental Appendix B - Additional Information Considered

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St. Clair County Employees' Retirement System, et al. vs. Acadia Healthcare Company, Inc. et al. Supplemental Appendix B - Additional Information Considered

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St. Clair County Employees' Retirement System, et al. vs. Acadia Healthcare Company, Inc. et al. Supplemental Appendix B - Additional Information Considered

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St. Clair County Employees' Retirement System, et al. vs. Acadia Healthcare Company, Inc. et al. Supplemental Appendix B - Additional Information Considered

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St. Clair County Employees' Retirement System, et al. vs. Acadia Healthcare Company, Inc. et al.
Supplemental Appendix B - Additional Information Considered

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